



# “AMERICAN SURVEY OF MORTGAGE BORROWERS”

OMB NUMBER 2590-00XX

## REVISED SUPPORTING STATEMENT

### BACKGROUND

The Federal Housing Finance Agency (FHFA or the Agency) is seeking OMB clearance under the Paperwork Reduction Act (PRA) for a new collection of information called the “American Survey of Mortgage Borrowers” (ASMB).<sup>1</sup> The ASMB will be a periodic, voluntary survey of individuals who currently have a first mortgage loan secured by single-family residential property. The survey is designed to collect information necessary to allow empirical analysis of two questions of vital importance to residential mortgage market policymakers and stakeholders:

1. What factors explain or predict which borrowers will become delinquent on their mortgages?
2. Once a borrower becomes delinquent, what factors explain or predict whether the borrower will (a) become current on the loan, (b) decide they cannot afford the mortgage and sell the property or modify the mortgage, or (c) remain delinquent and enter into foreclosure?

The survey questionnaire consists of 92 questions designed to learn directly from mortgage borrowers about their mortgage experience, including their experience with maintaining a mortgage under financial stress, their experience in seeking financial assistance, their success in accessing federally-sponsored programs designed to assist them and, where applicable, any challenges they may have had in terminating a mortgage loan. It requests specific information on: the mortgage; the mortgaged property; the borrower’s experience with the loan servicer; and the borrower’s financial resources and financial knowledge.<sup>2</sup> The survey will be carried out primarily by a subcontractor, Westat, under the ultimate direction of FHFA. FHFA is also seeking clearance to pretest the survey questionnaire and related materials from time to time through the use of cognitive testing.<sup>3</sup>

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<sup>1</sup> The survey was originally to be entitled the “National Survey of Existing Mortgage Borrowers” and was referred to by that name in the initial PRA notice published in the *Federal Register* for this information collection. For clarity, the second notice, which was published simultaneously with the filing of the original version of this Supporting Statement, references both names.

<sup>2</sup> A copy of the draft survey questionnaire is included as Attachment 1 to this Supporting Statement. Copies of the other communications that will, or may, be sent to respondents are included as Attachment 2.

<sup>3</sup> A copy of FHFA’s Cognitive Testing Guidance document, which was provided to the survey subcontractor on February 9, 2016, is included as Attachment 3 to this Supporting Statement.

The ASMB will be a component of the larger “National Mortgage Database” (NMDB) Project, which is a multi-year joint effort of FHFA and the Consumer Financial Protection Bureau (CFPB) (although the ASMB is being sponsored only by FHFA). The NMDB Project is designed to satisfy the Congressionally-mandated requirements of section 1324(c) of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Safety and Soundness Act), as amended by the Housing and Economic Recovery Act of 2008.<sup>4</sup> Section 1324(c) requires that FHFA conduct a monthly survey to collect data on the characteristics of individual prime and subprime mortgages, on the borrowers and properties associated with those mortgages, and on such other matters as the agency’s Director determines to be appropriate in order to enable it to prepare a detailed annual report on the mortgage market activities of the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) for review by the appropriate Congressional oversight committees. Section 1324(c) also authorizes and requires FHFA to compile a database of otherwise unavailable residential mortgage market information and to make that information available to the public in a timely fashion.

To fulfill those and other statutory mandates, as well as to support policymaking and research efforts, FHFA and CFPB committed in July 2012 to fund, build and manage the NMDB Project. When fully complete, the NMDB will be a de-identified loan-level database of closed-end first-lien residential mortgages. It will: (1) be representative of the market as a whole; (2) contain detailed, loan-level information on the terms and performance of mortgages, as well as characteristics of the associated borrowers and properties; (3) be continually updated; (4) have an historical component dating back before the financial crisis of 2008; and (5) provide a sampling frame for surveys to collect additional information.

The core data in the NMDB are drawn from a random 1-in-20 sample of all closed-end first-lien mortgages outstanding at any time between January 1998 and the present in the files of Experian, one of the three national credit repositories. The NMDB currently contains data on approximately 11.4 million mortgages. About 125,000 mortgages, drawn from a random 1-in-20 sample of the approximately 2.5 million newly-originated mortgages reported to Experian quarterly, is added to the NMDB each quarter. Mortgages are followed in the NMDB database until they terminate through prepayment (including refinancing), foreclosure, or maturity.<sup>5</sup>

The NMDB also draws additional information on mortgages in the NMDB datasets from other existing sources, including the Home Mortgage Disclosure Act (HMDA) database that is maintained by the Federal Financial Institutions Examination Council (FFIEC), property valuation models, and administrative data files maintained by Fannie Mae and Freddie Mac and by federal agencies. Currently, FHFA obtains additional data from its quarterly National Survey of Mortgage Originations (NSMO), which provides critical and timely information on newly-originated mortgages and those borrowing that are not available from existing sources, including: the range of nontraditional and subprime mortgage products being offered, the methods by which these

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<sup>4</sup> 12 U.S.C. 4544(c).

<sup>5</sup> See FHFA’s *NMDB Technical Report 15-01* (Aug. 2015). A copy of this report is included as Attachment 4 to this Supporting Statement.

mortgages are being marketed, and the characteristics of borrowers for these types of loans.<sup>6</sup> FHFA views the NMDB Project as a whole, including the NSMO and ASMB, as the monthly “survey” required by section 1324(c) of the Safety and Soundness Act. Core inputs to the NMDB, such as a regular refresh of the credit repository data, occur monthly, though the actual surveys conducted under the NMDB Project do not.

The ASMB questionnaire will be sent annually to a stratified random sample of 10,000 borrowers with mortgages in the NMDB. The data in the NMDB will allow FHFA to target subpopulations (strata) that are of particular interest, such as borrowers who received counseling, borrowers who are delinquent on their mortgage, or borrowers who obtained a mortgage to purchase a home or to refinance a mortgage on their existing residence. Sampling within strata will be random and all strata will be selected. FHFA estimates that the ASMB will generate a 25 percent overall response rate—*i.e.*, that it will yield approximately 2,500 survey responses. This estimate is based on actual response rates by selected strata on surveys of borrowers on existing and terminated mortgages conducted by Freddie Mac in 2013 and 2014 that resulted in response rates of 30 and 20 percent, respectively.

## **A. JUSTIFICATION**

### **1. Circumstances Necessitating the Collection of Information**

#### ASMB Questionnaire

The negative effects of mortgage borrower delinquencies, defaults and property foreclosures are felt widely: by the borrowers and their families; by other owners and residents in the neighborhoods where foreclosures occur; by mortgage lenders and servicers; by mortgage investors; by homebuilders and realtors; by local and state governments; and, as was demonstrated in 2007 and 2008, eventually by the economy as a whole. For that reason, minimizing borrower delinquencies and defaults has long been an issue of major importance to residential mortgage market regulators, policymakers, and stakeholders. Despite this, there is today only an imperfect understanding of the factors that result in borrowers becoming delinquent on their mortgage loan payments and in delinquent borrowers falling into default and eventually having their properties foreclosed upon.

There is ample data on the relationship between quantitative benchmarks existing at the time a loan is made, such as the ratio of mortgage payments to income and loan-to-value ratio, and the likelihood of borrower delinquency and default. However, the factors that may lead a mortgage borrower who initially met those benchmarks into delinquency and, potentially, default are not as well understood. Part of the reason for this is that those factors—which may include: the level and

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<sup>6</sup> See FHFA’s *National Survey of Mortgage Borrowers Technical Report 15-02* (Aug. 2015). A copy of this report is included as Attachment 5 to this Supporting Statement. The title of the survey, which was formerly referred to as the “National Survey of Mortgage Borrowers,” was recently changed to the “National Survey of Mortgage Originations,” primarily to distinguish it more clearly from the ASMB. OMB has cleared the NSMO survey under the PRA and assigned it control no. 2590-0012. The current OMB clearance expires on December 31, 2016.

quality of servicers' interactions with borrowers; borrowers subjective attitudes about those interactions, the loan terms, the value of their property, and their life circumstances; and the availability of financial counseling and the ability and willingness of borrowers to take advantage of such counseling—are less easily quantified and researchers have not, to date, had the means to study them in a systematic way.

With the development of the NMDB, there now exists a comprehensive source of information on borrowers and their mortgages and properties that will permit empirical analysis of these factors for the first time. While the quarterly NSMO survey provides information on newly originated mortgages, it does not solicit information on borrowers' experience with maintaining their existing mortgages; nor is detailed information on that topic available from any other existing source. The ASMB is designed to obtain such information.

Each of the 92 questions on the survey questionnaire is designed to elicit one or more of five different categories of information that are not available in the administrative data and that are needed either to properly analyze the issues described above or to validate the survey responses. These categories are: (1) information needed to validate that the survey reached the correct borrower and that the borrower is providing answers about the correct loan; (2) information about the mortgage loan that does not exist in sufficient detail in the administrative data; (3) information about the borrower's economic circumstances that does not exist, or exists in insufficient detail, in the administrative data; (4) information about the borrower's attitudes regarding his or her mortgage, property, interactions with lenders and servicers, and life circumstances; and (5) information needed to determine the ultimate outcome of the borrower's delinquency and the interim steps that led to that outcome.

Existing research indicates that borrowers' attitudes and beliefs—regardless of whether they are factually correct—may represent key variables in determining whether they are likely to become delinquent on loan payments and whether they are likely to default if they do become delinquent. Thus, while some of the questions falling into category #4 above seek borrowers' subjective impressions about property value and other matters on which objective data may also exist, those questions are designed to provide a more accurate understanding of the effect that borrowers' attitudes have on the ultimate outcomes and are not intended to serve as a substitute for objective data. In order to provide more clarity on the purpose behind those and the other survey questions, FHFA has included, as Attachment 6 to this Supporting Statement, a document that explains in more detail each of the five categories listed above and its relationship to the main issues being investigated, and includes a table indicating for each survey question: (a) the category into which it falls; (b) whether it could be regarded as sensitive in nature; (c) the policy purpose the information elicited is intended to serve; and (d) whether the question also appears on the NSMO questionnaire.

#### Pre-Survey Cognitive Testing

As part of the initial development of the ASMB, the survey subcontractor, Westat, has conducted nine cognitive tests of individual borrowers to pretest the survey materials. Westat has limited the group to nine participants in order to avoid any violation of the PRA. Such pretesting helps to ensure that the survey respondents can and will answer the survey questions and will provide useful

data on their experiences with maintaining their existing mortgages. FHFA expects that Westat will continue to conduct cognitive testing to pretest the materials for subsequent ASMB survey mailings. FHFA is requesting OMB clearance for those cognitive tests so that they may be conducted with 10 or more participants while remaining in compliance with the PRA.

## **2. Use of Data**

### ASMB Questionnaire

FHFA intends and anticipates that the information collected through the ASMB, in combination with information obtained from existing sources in the NMDB, will ultimately be widely used for research and analysis by government agencies and policymakers (including FHFA and CFPB) to assist them in carrying out their regulatory and supervisory responsibilities or mandates related to the residential mortgage markets. The collected information will also provide a resource for further research and analysis by academics and other interested parties outside of the government. As it has done in the case of the NSMO, FHFA also plans eventually to prepare and make available to the public one or more reports summarizing the information obtained through the survey and discussing the conclusions reached through analysis of that information.

In the near-term, the information will be used primarily to assist both FHFA and CFPB in identifying problematic areas of the residential mortgage market, in accurately assessing the factors that give rise to those problems, and in developing and implementing policies that are well designed to minimize the occurrence of those problems in the future. In particular, FHFA anticipates that the survey data will, in combination with other sources of information and analysis, provide it and CFPB with a more thorough understanding of the reasons that mortgage borrowers fall into delinquency and default and that this knowledge will ultimately enable both agencies to carry out their respective regulatory and supervisory responsibilities in connection with the residential mortgage market more effectively.

As mentioned under Item #1, policymakers and mortgage market stakeholders today have only an imperfect understanding of the range of factors that lead mortgage borrowers to fall into delinquency and default. The assumptions regarding the causes of delinquency and default that underlie current policies and practices intended to minimize those negative outcomes are based, in many cases, on anecdotal evidence that has not been rigorously tested against empirical data. FHFA expects that, at this initial stage, the ASMB will elicit preliminary data on variables that anecdotal evidence, as well as a limited number of previous studies, suggests may correlate with higher rates of borrower delinquency and default. The agency also anticipates that analysis of the survey responses will suggest causative factors that have not yet been hypothesized and that warrant further study.

FHFA intends to use the information obtained through the initial iterations of the survey questionnaire to refine the form and content of the questions on subsequent iterations, with the goal of further testing tentative conclusions drawn from initial data. Both FHFA and CFPB expect that any conclusions that may be drawn from the survey data will be measured against, and considered in combination with, information and analyses derived from a variety of other sources before it is

used as a basis for any rulemaking or policymaking actions. These other sources of information and analysis may include, in addition to more focused and refined versions of the ASMB itself: comments from stakeholders and the public on the survey results and on tentative conclusions drawn from those results; information derived from focus groups designed to provide more in-depth information on survey topics; administrative data from, or data from supervisory examinations of, Fannie Mae, Freddie Mac, or other market participants; and peer-reviewed academic research.

### *Specific Uses by FHFA*

FHFA intends to make the results of the ASMB available to the public by issuing an official statistical report of the survey results similar to the report that FHFA has just released regarding the results of the NSMO. A copy of the NSMO report is included as Attachment 7 to this Supporting Statement as an example of the type of report that will be prepared for the ASMB.

In addition, the information derived from the ASMB will assist FHFA in fulfilling its statutory duties to ensure that its regulated entities operate in a safe and sound manner and that their operations and activities foster liquid, efficient, competitive, and resilient national housing finance markets.<sup>7</sup> More specifically, in the near term, FHFA will use the collected information and the conclusions drawn from analyses of that information primarily to assist it in evaluating whether the loss mitigation policies and practices of Fannie Mae and Freddie Mac (collectively, “the Enterprises”) are adequate, and in determining how those policies and practices should be changed if they are shown to be inadequate.

The Enterprises provide liquidity to the residential mortgage market mainly by buying mortgages from lenders and then packaging the loans into mortgage-backed securities (MBS) that are sold to investors. In order to attract investors who might not otherwise invest in mortgages, the Enterprises guarantee the timely payment of principal and interest on the mortgage loans underlying the MBS that they offer for sale. Because of the guarantees the Enterprises provide, they must bear the loss when borrowers on the underlying loans default on their payments. Naturally, the greater the financial losses the Enterprises incur as a result of such borrower defaults, the more the Enterprises’ abilities to operate in a safe and sound manner and to provide liquidity to the mortgage markets are compromised.

Under the supervision of FHFA, the Enterprises seek to minimize defaults on the loans they guarantee (as well as those they hold as portfolio investments) by requiring their counterparties in those transactions—that is, loan sellers and servicers—to adhere to detailed financial and operational standards. Among other things, the Enterprises’ operational standards require servicers to identify delinquent borrowers as early as possible and to work with those borrowers in various ways, including by encouraging those borrowers to take advantage of financial counseling, to reduce the possibility of eventual default and foreclosure.<sup>8</sup>

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<sup>7</sup> See 12 U.S.C. 4513(a)(1)(B).

<sup>8</sup> See <https://www.fanniemae.com/content/guide/servicing/d/index.html> (section of Fannie Mae Servicing Guide that addresses “Providing Solutions to a Borrower”);

As part of its efforts to ensure the safe and sound operation of the Enterprises, FHFA continuously assesses the adequacy of their risk management policies and procedures, including the described seller/servicer requirements. As a result of these assessments, the agency periodically directs the Enterprises to update their policies and procedures to implement new or revised risk management approaches that have been identified as being most effective.<sup>9</sup> FHFA will use the information collected through the ASMB, in combination with other sources of information, as part of its ongoing assessment of the Enterprises' seller/servicer requirements—particularly those relating to lender and servicer interaction with delinquent borrowers and to assisting borrowers with access to housing counseling.

### Specific Uses by CFPB

Similarly, CFPB will use the information derived from the ASMB to assist it in carrying out its rulemaking and other functions with respect to the residential mortgage finance markets. Among the primary functions of the Bureau are collecting, researching, monitoring, and publishing information relevant to the functioning of markets for consumer financial products and services to identify risks to consumers.<sup>10</sup> In order to support its rulemaking and other functions, the Bureau may gather and compile information from voluntary surveys of consumers to monitor for risks to consumers in the offering or provision of consumer financial products or services, including in the servicing of mortgage loans.<sup>11</sup> Among other things, the ASMB will provide the Bureau with unique and representative information about the extent to which its mortgage servicing regulations are adequately protecting consumers. The Bureau's mortgage servicing regulations require servicers to, among other things, respond to borrowers' information requests and notices of error about their loans, to maintain contact with borrowers who become delinquent, and to follow certain procedures and timelines in processing borrowers' loss mitigation applications.<sup>12</sup> The survey information may be useful to the CFPB in helping to determine whether these requirements need to be revised, and in carrying out its statutory responsibility to conduct an assessment of each significant rule.<sup>13</sup>

### Pre-Survey Cognitive Testing

FHFA will use information collected through the cognitive tests to assist it in drafting and modifying the survey questions and instructions, as well as the related communications, to read in a way that will be most readily understood by the survey respondents and that will be most likely to elicit usable responses. Such information will also be used help the Agency decide on how best to organize and format the survey questionnaire.

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<http://www.freddiemac.com/singlefamily/guide/bulletins/pdf/030916Guide.pdf> (Freddie Mac Seller/Servicer Guide--Series 9000 items address default management).

<sup>9</sup> See, e.g., Federal Housing Finance Agency, *Fannie Mae and Freddie Mac Issue New Eligibility Requirements for Seller/Servicers*, News Release (May 20, 2015) at <http://www.fhfa.gov/Media/PublicAffairs/Pages/New-Eligibility-Requirements-for-SellerServicers.aspx>.

<sup>10</sup> See 12 U.S.C. 5511.

<sup>11</sup> See 12 U.S.C. 5481(5), 5512.

<sup>12</sup> See 12 CFR part 1024 (subpart C).

<sup>13</sup> See 12 U.S.C. 5512.

### **3. Use of Information Technology**

The ASMB will use machine-readable paper questionnaires in English and an online electronic questionnaire in both Spanish and English. The survey subcontractor will edit and scan returned questionnaires and will deliver the responses electronically to FHFA.

With respect to the cognitive tests, FHFA anticipates collecting data through individual interviews, which may be conducted with or without electronic assistance, as well as through the use of non-electronic tools (such as hand-written notes or responses) and electronic tools (such as audio- and video-recordings).

### **4. Efforts to Identify Duplication**

As explained above, the vast majority of data included in the NMDB has been and will continue to be drawn from existing sources—*i.e.*, the consumer credit database maintained by one of the national credit repositories; the HMDA database maintained by FFIEC; and other information in the possession of FHFA, its regulated entities, or CFPB. Like the existing NSMB survey, the ASMB survey is intended to obtain needed information that is not available from these other sources.

### **5. Impact on Small Entities**

This information collection will not have a significant economic impact on a substantial number of small entities. The survey recipients will be individuals only, and all responses will be voluntarily.

### **6. Consequences of Less Frequent Collection and Obstacles to Burden Reduction**

FHFA currently has firm plans to conduct the ASMB survey only once—in the second quarter of 2016. However, FHFA is requesting OMB clearance to conduct additional periodic surveys under the ASMB up to once annually in the event the Agency determines that it would be useful to do so. Less frequent collection would reduce the usefulness of the survey in assisting FHFA and CFPB in carrying out the regulatory responsibilities described under item #2 and in keeping those agencies and other interested stakeholders abreast of how the performance of existing mortgages is influencing the residential mortgage market, whether borrowers are having difficulties maintaining their existing mortgages, and whether federally-sponsored mortgage assistance programs are effective.

### **7. Circumstances Requiring Special Information Collection**

There are no special circumstances that require FHFA to conduct the information collection in a manner inconsistent with OMB guidelines.



## 8. Solicitation of Comments on Information Collection

### Letters Received in Response to the 60-Day Notice

In accordance with the requirements of 5 CFR 1320.8(d), FHFA published a request for public comments regarding this information collection in the *Federal Register* on November 10, 2015.<sup>14</sup> The 60-day comment period closed on January 11, 2016. FHFA received two comment letters—one from an individual and one from a group of trade associations representing various constituencies in the financial services industry.<sup>15</sup> The letter from the individual was not responsive to any of the questions in the notice and contained no comments relating to the ASMB, the NMBD Project, or any issues arising under the PRA.

The trade associations' letter raised two issues that are relevant to the compliance of the ASMB with the PRA. First, the trade associations asserted that that the information FHFA seeks to collect through the ASMB is, or could soon be, available from other sources and urged the Agency “to again review existing surveys and data collection efforts to identify redundancies.” The letter cites numerous existing sources of quantitative data about mortgage borrowers, loan terms, mortgaged properties and the origination and maintenance of first lien mortgages. However, most of the data sources cited are those from which the NMBD has drawn the bulk of its existing data. None of those sources (nor any other sources of which FHFA is aware) provide the type of qualitative information regarding borrowers' experience with maintaining a mortgage or their interactions with mortgage servicers that FHFA seeks to obtain through this information collection.

Second, noting that the draft ASMB questionnaire published with the initial *Federal Register* notice was not the final version of the survey instrument, the trade associations urged FHFA “to solicit additional public input on the substance of the survey when it is complete and before FHFA puts it into use.” An updated draft of the survey questionnaire appeared as part of the *Federal Register* notice that was published simultaneously with the submission of the original version of this Supporting Statement. The trade associations therefore had 30 additional days within which to review the survey again and to provide comments to both OMB and FHFA, but provided no additional comments.

The remainder of the discussion in the letter from the trade associations addressed non-PRA-related concerns that the commenters' have about the NMBD Project as a whole. Because those issues are not relevant to the clearance of this information collection under the PRA, FHFA has not addressed them in this Supporting Statement.

### Letters Received in Response to the 30-Day Notice

In accordance with the requirements of 5 CFR 1320.10(a), FHFA published a second request for public comments in the *Federal Register* simultaneously with the submission of the original

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<sup>14</sup> See 80 FR 69664 (Nov. 10, 2015). A copy of the 60-day Notice is included as Attachment 8 to this Supporting Statement.

<sup>15</sup> Copies of these comment letters are included as Attachment 9 to this Supporting Statement.

version of this Supporting Statement to OMB on March 24, 2016.<sup>16</sup> The 30-day comment period closed on April 25, 2016. FHFA received two comment letters—one from the National Association of Homebuilders (NAHB) and one from the Pennsylvania Housing Finance Agency (PHFA).<sup>17</sup> As discussed in more detail below, both commenters were in favor of FHFA conducting the survey and both offered suggestions as to how to improve the survey.

NAHB is a trade association representing more than 140,000 members involved in all aspects of the residential construction industry. In its letter, NAHB noted that the ability of the home building industry to meet the nationwide demand for housing “is dependent on an efficiently operating housing finance system” and that this, in turn, “is dependent on the availability of information about how the system functions and serves the U.S. population.” The letter stated that NAHB and its members have a strong interest in the information collection and offered comments and recommendations on three of the issues raised in the notice: (1) whether the information collection has practical utility; (2) ways to enhance the quality, utility, and clarity of the information; and (3) ways to minimize the burden of the collection of information on survey respondents.

First, noting that “the practical utility of information collected by the ASMB is clear,” NAHB commented,

This information will allow for more in-depth analysis of the mortgage market, that will not only greatly aid [FHFA] in its task of supervising Fannie Mae, Freddie Mac, and the Federal Home Loan Banks, but also assist other government agencies, as well as private sector lenders and policy analysts, to better evaluate market conditions and make more informed decisions, especially when the ASMB is integrated into the broader [NMDB].

Although considerable data on mortgage markets may seem to be available from existing sources, some of the information collected in the ASMB is unique, and no existing source combines information about individual borrowers, loan performance, and nature of the homes purchased in the way proposed by the ASMB as part of the NMDB. Existing sources either lack robust data on mortgage performance, have limited demographic data, or only collect data on market subsets. Moreover, many are proprietary and expensive, and therefore not very accessible to those with limited resources.

FHFA strongly agrees with this statement in that it correctly indicates that some of the information collected in the ASMB is unique, and that no existing source combines information about individual borrowers, loan performance, and the nature of the homes purchased in the way proposed by the ASMB.

Second, NAHB asserts that FHFA could enhance the usefulness of the information collected by adding to the questionnaire two questions regarding the age of the house securing the borrower’s

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<sup>16</sup> See 81 FR 15707 (Mar. 24, 2016). A copy of the 30-day Notice is included as Attachment 10 to this Supporting Statement.

<sup>17</sup> Copies of these comment letters are included as Attachment 11 to this Supporting Statement.

mortgage loan—information that NAHB regards as “critical.” FHFA agrees that such information is important and would be useful, but does not believe that the ASMB is the appropriate vehicle through which to collect the information. The agency intends to review these questions and potentially add them to the quarterly NSMO questionnaire when it performs its annual review of that questionnaire later this year.

Finally, NAHB suggests conducting the ASMB electronically through an online survey to reduce the burden of the collection. As noted under item #3, FHFA will provide the option of taking the questionnaire online in either Spanish or English.

PHFA is a state agency created by the Commonwealth of Pennsylvania to provide state residents of modest means or with specialized needs access to safe, affordable housing by providing qualified borrowers with down payment and closing cost assistance, purchasing and servicing mortgage loans, and providing funding, training and other resources to its network of housing counseling agencies. In its letter, the PHFA expressed its hope that FHFA will “commit to conduct the Survey on an annual basis for longer than three years,” because “continued collection of the Survey will help identify trends in the residential mortgage market.”

Regarding the survey questionnaire, PHFA suggested FHFA additional questions that should be added about the borrower’s experience with housing counseling, characteristics of the borrower’s neighborhood, and the borrower’s experience with making loan payments. With respect to housing counseling, PHFA suggests additional questions addressing the type of counseling attended, the timing of the counseling, the reason the borrower attended counseling, and whether the counseling led the borrower to choose a particular loan product. With respect to the borrower’s neighborhood, PHFA suggested adding a question asking which neighborhood characteristics lead the borrower to find it desirable. Finally, with respect to loan payments, PHFA suggests that FHFA rephrase and reorder a number of questions.

FHFA carefully considered all of PHFA’s comments and suggestions. Several of the suggestions either had already been incorporated into the newest draft of the questionnaire or had been made moot by the latest round of revisions. FHFA declined to incorporate a number of PHFA’s suggested edits to existing questions because it had already concluded through consultation with survey experts, consideration of the cognitive testing results, and other analysis that the existing phrasing of those questions is most appropriate. Finally, while FHFA believes that the additional questions regarding housing counseling suggested by PHFA could elicit valuable information, it has declined to add them at this time because their addition would significantly increase the length of the survey questionnaire. Based on the results of the initial ASMB survey, FHFA will consider adding those questions to future iterations of the survey questionnaire

## **9. Provision of Payments or Gifts to Respondents**

Each cognitive testing participant will receive approximately \$50 as an incentive payment.

Survey recipients will receive a \$5 cash payment as an incentive to complete and return the ASMB questionnaire. Recipients who have not responded after two contacts will receive an additional cash payment of \$5.

The survey implementation strategy comprises four respondent contacts over a seven-week period:

- *Week 1*: Printed questionnaire, cover letter, and cash incentive (entire survey sample population).
- *Week 2*: First reminder letter (entire survey sample population).
- *Week 5*: Second reminder letter, printed questionnaire, and additional cash incentive (sampled borrowers who have not responded by Week 4).
- *Week 7*: Third reminder letter, which includes the due date for returning the questionnaire, to close the communication loop (sampled borrowers who have not responded by Week 6).

## 10. Assurance of Confidentiality

Section 1324 of the Safety and Soundness Act authorizes FHFA to modify the mortgage data released to the public as necessary to ensure that it contains no “representation of information that permits the identity of a borrower to which the information relates to be reasonably inferred by either direct or indirect means.”<sup>18</sup> The NMDB, including data obtained through the ASMB, will contain de-identified information and the agencies will take appropriate precautions to ensure that individual borrowers cannot be identified through the database or through any datasets that may be made available to researchers or the public.<sup>19</sup> The ASMB questionnaire and cover letters will contain a statement to this effect and, in addition, will make clear that respondents should not include their name, address or any other personally identifiable information on the completed questionnaire.<sup>20</sup>

While the survey subcontractor will know the identity of the cognitive testing participants, that information will not be conveyed to FHFA and will not be included in the NMDB in any form.

## 11. Questions of a Sensitive Nature

Of the 92 questions on the survey questionnaire, approximately 25 might be considered to be of a sensitive nature by particular borrowers.<sup>21</sup> Questions that FHFA has identified as potentially sensitive include those requesting information on loan terms, property value, delinquency status, experience with foreclosure, actual and expected employment status, major life events, actual and expected income, actual and expected financial difficulties and efforts to deal with them, marital status, race and ethnicity.

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<sup>18</sup> See 12 U.S.C. 4544(c)(3), (4).

<sup>19</sup> See NMDB Technical Report 15-01 (Aug. 2015) (Attachment 4 to this Supporting Statement).

<sup>20</sup> A copy of the System of Records Notice (SORN) that is currently in effect for the NMDB is included as Attachment 12 to this Supporting Statement. It can also be accessed electronically at <https://www.gpo.gov/fdsys/pkg/FR-2015-08-28/pdf/2015-21288.pdf>.

<sup>21</sup> The questions that FHFA has identified as being potentially sensitive are indicated on the question-by-question table included in Attachment 6 to this Supporting Statement.

Understandably, borrowers that have become delinquent or have defaulted on their loan payments, or whose homes have been foreclosed upon, may experience feelings of shame and embarrassment about disclosing information about those experiences and about the factors that led to them. However, in order for policymakers to design and implement policies and requirements that will be effective in reducing the frequency and severity of delinquencies, defaults, and foreclosures, they must have access to accurate data that will allow them to understand the underlying reasons for those negative outcomes. In addition, while FHFA understands that some survey recipients will be reluctant to answer questions about those sensitive topics, the agency believes that others will look upon doing so as an opportunity to express themselves about issues of concern to them and to help others to avoid falling into similar difficult circumstances.

## **12. Estimates of the Hour Burden of the Information Collection**

This information collection comprises two components: (I) the ASMB survey; and (II) the pre-testing of the survey questionnaire and related materials through the use of cognitive testing. While FHFA currently has firm plans to conduct the survey only once—in the second quarter of calendar year 2016—it may decide to conduct further periodic ASMB surveys once the first survey is completed. The Agency therefore estimates that the survey will be conducted, on average, once annually over the next three years and that it will conduct two rounds of pre-testing on each set of survey materials.

FHFA estimates that the total annualized hour burden imposed upon respondents by these two information collections will be 5,024 hours. These estimates are based on the following calculations:

### *I. Conducting the Survey*

The estimated annualized hour burden associated with conducting the ASMB is 5,000 hours. The ASMB questionnaire will be sent to 10,000 recipients each time the survey is conducted. Although FHFA expects a 25 percent response rate, this burden estimate assumes that all of the recipients will respond. The 30 minutes per survey completion time estimate includes the gathering of necessary materials to respond to the questions and is based on the reported experience of respondents to the NSMB questionnaire, which contains a similar number of questions.

Recipients read and complete survey questionnaire and return the completed form to the survey subcontractor:

- Completion time per recipient: 0.5 hours
- Survey mail-outs annually: 1
- Recipients per survey: 10,000
- Total recipients annually: 10,000
- Total hours annually: 5,000 hours

## *II. Pre-Testing of Survey Materials*

The estimated annualized hour burden associated with the pre-testing of the survey materials is 24 hours.

Selected individuals participate in cognitive testing to pre-test the survey questionnaire and related materials:

- Participation time per person: 1 hour
- Survey mail-outs annually: 1
- Participants per survey: 24
- Total participants annually: 24
- Total hours annually: 24 hours

### **13. Estimated Total Annualized Cost Burden to Respondents**

There will be no costs imposed upon the respondents by this information collection. Postage costs to return the survey questionnaire will be pre-paid by the survey subcontractor.

### **14. Estimated Cost to the Federal Government**

The estimated annual burden to the federal government is 10 hours and \$355,700 calculated as follows:

FHFA analyst embeds ASMB data into query-based electronic database:

- Time per survey mail-out: 10 hours
- Total survey mail-outs per year: 1
- Total hours per year: 10 hours
- Hourly rate: \$74 (includes salary, benefits, and overhead)
- Total cost: \$740

In addition, FHFA will pay \$354,960 to the survey subcontractor each time it conducts a survey. Included in this amount are approximately: \$110,000 for printing costs; \$90,000 for the cash incentive payments to survey recipients; \$43,000 for postage costs; and \$38,000 for pre-testing the survey materials.

$\$740 \text{ (hourly cost)} + \$354,960 \text{ (paid to subcontractor)} = \$355,700.$

### **15. Reasons for Change in Burden**

This is a new information collection, so there is no change in burden from any previous estimates.

**16. Plans for Tabulation, Statistical Analysis and Publication**

As discussed under item #2, FHFA plans to produce a summary report to be made available to the public based on aggregate data collected from each ASMB survey. Other than that report, there are no specific plans for tabulation, statistical analysis or publication at this time.

**17. If Seeking Approval to Not Display the Expiration Date for OMB Approval of the Information Collection, Explain the Reasons Why Display Would Be Inappropriate**

FHFA plans to display the expiration date for OMB approval.

**18. Explain Each Exception to the Topics of the Certification Statement Identified in “Certification for Paperwork Reduction Act Submission.”**

There are no exceptions to the topics of the certification statement identified in the “Certification for Paperwork Reduction Act Submission.”

## **B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS**

- 1. Describe (including a numerical estimate) the potential respondent universe and any sampling or other respondent selection methods to be used. Data on the number of entities (e.g., establishments, State and local government units, households, or persons) in the universe covered by the collection and in the corresponding sample are to be provided in tabular form for the universe as a whole and for each of the strata in the proposed sample. Indicate expected response rates for the collection as a whole. If the collection had been conducted previously, include the actual response rate achieved during the last collection.**

For the initial survey, a stratified random sample of 10,000 borrowers who had first-lien mortgages outstanding as of January 1, 2015 will be drawn from among the mortgages contained in the NMDB in March 2016. As explained above, the NMDB is a 1-in-20 sample of all closed-end first-lien mortgages outstanding at any time between January 1998 and the present. FHFA estimates that there were 55 million outstanding first-lien mortgages in the U.S. as of January 1, 2015 and that the NMDB contains information on approximately 2.75 million of those mortgages.

FHFA estimates that the ASMB will generate a 25 percent overall response rate—*i.e.*, that it will yield approximately 2,500 survey responses. This estimate is based on actual response rates by selected strata on surveys of borrowers on existing and terminated mortgages conducted by Freddie Mac in 2013 and 2014 that resulted in response rates of 30 and 20 percent, respectively. The estimated response rates for the ASMB are derived from the Freddie Mac response results as those surveys drew from the same populations as the ASMB. Also, the CFPB experienced a 22 percent response rate for its “Debt Collection” survey in January 2015. FHFA expects that the ASMB would have a higher response rate than that CFPB survey since the ASMB target population, homeowners, is likely to be more stable than the overall population of individuals with a debt collection.

- 2. Describe the procedures for the collection of information, including:**
  - Statistical methodology for stratification and sample selection,**
  - Estimation procedure,**
  - Degree of accuracy needed for the purpose described in the justification,**
  - Unusual problems requiring specialized sampling procedures, and**
  - Any use of periodic (less frequently than annual) data collection cycles to reduce burden.**

The intent of the survey is to compare the experience different groups of mortgage borrowers had maintaining their mortgage. For the initial survey, the targeted subpopulations (strata) that are of particular interest are mortgage borrowers who were in distress (having problems remaining current on their mortgage) compared to borrowers who were not in distress in January 2015. The sample strata are designed to produce final usable samples of at least 750 borrowers in each of three groups of primary interest to the survey: those who are a) never delinquent, b) were delinquent and have recovered, and 3) were delinquent and did not recover. These sample sizes should provide a precision level of at least +/- 3 percent for comparisons among the three groups.



The NMDB includes comprehensive information, provided by Experian, on the performance of each of the mortgage loans contained in the database, which will enable FHFA to draw an accurate sample for the desired strata. For example, the NMDB contains information on missed payments that will allow FHFA to identify borrowers who were in distress and to oversample this group.

**3. Describe methods to maximize response rates and to deal with issues of non-response. The accuracy and reliability of information collected must be shown to be adequate for intended uses. For collections based on sampling, a special justification must be provided for any collection that will not yield "reliable" data that can be generalized to the universe studied.**

As explained in response to question #9 in Part A, to maximize response rate, survey respondents will receive a cash payment as an incentive to complete and return the questionnaire. To further increase response rates, survey recipients will also be given the option of completing the survey online in either English or Spanish. The first mailing will contain an insert, in both English and Spanish, which will inform recipients of those options and provide the appropriate web addresses to access those electronic versions of the survey. The insert will also provide Spanish-speaking recipients with a telephone number through which they may request a paper copy of the survey in Spanish.

Both item and survey non-response will be addressed using information from other sources. One advantage that the ASMB will have over other surveys is the availability of credit and administrative data, much of which appears to be quite reliable. These data will be used to assist in the editing and imputation process. Three primary sources of such data are: (1) credit data from Experian on sample loans; (2) data on the survey respondents obtained by Experian from other sources, including loan servicers and data companies; and (3) information for loans that could be matched to Home Mortgage Disclosure Act (HMDA) files.

After editing and cleaning the survey response data, FHFA will impute missing responses using statistical models estimated based on the credit and administrative data and answers to other questions in the survey. Missing values for item non-response will be imputed statistically using an iterative process. Individual statistical models will be developed for each question that used the key demographic variables as well as credit or administrative data such as loan amount and credit score as regressors in linear probability, logistic, or cell-based models (since almost all variables in the survey are categorical). In all instances the imputation will incorporate a random component that reflects the accuracy of the imputation model. Variables will be imputed in order, with higher order variables that dictated a skip-pattern imputed first, before the variables conditioned on the pattern are to be imputed. Once the first round of imputations is completed, the process will be repeated with expanded predictive linear or logistic models that incorporated some of the newly imputed variables as regressors for other variables. This iteration ensures that correlations among the imputed values will better reflect correlations among observations where responses were available.

Commonly, in survey sampling, some individuals chosen for the sample are unwilling or unable to participate in the survey. Non-response bias is the bias that results when respondents differ in meaningful ways from non-respondents. When non-response bias is present, rather than accept a poor match between the sample and the population, it is now common to use weights to bring the two more closely into line. This is known as “non-response weighting.” The ASMB will have extensive credit and administrative data on both responding and non-responding borrowers that will be used to estimate non-response weights.

**4. Describe any tests of procedures or methods to be undertaken. Testing is encouraged as an effective means of refining collections of information to minimize burden and improve utility. Tests must be approved if they call for answers to identical questions from 10 or more respondents. A proposed test or set of tests may be submitted for approval separately or in combination with the main collection of information.**

FHFA will use information collected through the cognitive tests to assist it in drafting and modifying the survey questions and instructions, as well as the related communications, to read in the way that will be most readily understood by the survey respondents and that will be most likely to elicit usable responses. Such information will also be used to help the Agency decide on how best to organize and format the survey questionnaire. Cognitive testing will be especially important for phrasing questions to elicit responses from a specific strata (borrowers who were in distress) that may feel stigmatized. A copy of FHFA’s Cognitive Testing Guidance document, which was provided to the survey subcontractor on February 9, 2016, is included as Attachment 3 to this Supporting Statement.

**5. Provide the name and telephone number of individuals consulted on statistical aspects of the design and the name of the agency unit, contractor(s), grantee(s), or other person(s) who will actually collect and/or analyze the information for the agency.**

The names of and contact information for individual stakeholders from FHFA, CFPB, Freddie Mac, and Experian, including those who were consulted on statistical aspects of the design and who will analyze the data, appear in the list that is included as Attachment 13 to this Supporting Statement. FHFA also consulted with the following:

Dr. Mick P. Couper  
Survey Research Center and the Institute for Social Research  
University of Michigan  
426 Thompson Street  
Ann Arbor, MI 48104  
(734) 647-3577

Dr. Don A. Dillman  
Department of Sociology and the Social & Economic Sciences Research Center  
Washington State University  
Pullman, WA 99164-4014  
(509) 335-1511

The subcontractor hired by Experian to carry out the survey and the cognitive testing is:

Westat  
1600 Research Blvd,  
Rockville, MD 20850